

**Minutes of the  
Audit Committee  
Thursday 19 November 2020 4pm  
Video Conference- Microsoft Teams**

**Present:** Mark Lawson (ML) (Chair)  
Dennis Buckley  
Andy Ellis  
Sheila Selwood  
Alasdair Simmons

**In attendance:** Jonathan Creed (JC) (ICCA)  
Roy Currie (RC) Director of Information & Learning Technologies  
Pat Jones (PJ) Executive Director of Finance  
Saeed Keynejad (SK) Director of Funding, Data Returns and Policy Advice  
Eno Kadiri (EK) Data Protection Officer  
Ian Pryce (IP) Principal & CEO  
Rakesh Shaunak (RS) MHLLP, Financial Statements Auditor

**AC/26/20 Apologies for absence**

There were no apologies for absence.

**AC/27/20 Declarations of Interest**

There were no declarations of interest relevant to the matters on the agenda.

**AC/28/20 Matters arising not covered elsewhere on the agenda**

The Committee welcomed Dennis to his first Audit Committee meeting as an external governor and Alasdair Simmons to his first meeting as a co-opted member. Stewart Briggs had resigned from the Corporation in October and the Committee was grateful to Sheila Selwood for agreeing to attend as the third external member, required under the terms of reference.

**AC/29/20 Data protection**

The Director of Director of Funding, Data Returns and Policy Advice provided an update on the internal changes around data protection management and confirmed he had assumed the internal lead. Responsibility and accountability have been allocated across curriculum and support areas and teams.

The role of Data Protection Officer (“DPO”) remains supported through an outsourcing arrangement with the Data Protection Centre. The DPO continues to work with the College. The Director of Governance will only be involved in the more complicated breaches.

The Committee supported the internal changes.

The DPO, Eno Kadiri, attended and presented a report outlining the current position on compliance with data protection principles and overall progress.

Further work is required on the management of data retention to ensure compliance with the agreed schedule. Positive progress is being made on the development of internal processes and work flows to support compliance and subject request management. An operational group has been established to support progress.

The central record of processing activities is being developed and a process being established to ensure new systems are being picked up and included on the central record.

The number and nature of breaches since the last report were highlighted. Follow up actions are being picked up and dedicated refresher training provided as appropriate. To date there has been one ICO reportable breach but no further action was required. The DPO continues to monitor the potential for more serious consequences based on the nature of breaches.

Third party processor documentation was highlighted as an area for further development and the need to balance the practical commercial reality with the risks has been recognised. A review of the current position is being carried out. The relationship with third party and vendor risk management was discussed. The DPO will work with the College to ensure the appropriate level of due diligence in relation to data protection is carried out.

The Committee discussed the movement in the implementation of recommendations between 2018 and 2020 and sought to understand the terminology used in measuring the current position and received assurance that references to “requires improvement” means adequate but with potential for improvement. The Committee asked for future reports to include details of the planned actions to implement recommendations. The Committee also discussed how the analysis of risks are fed into the overall College risk register. It was agreed that the Committee will focus monitoring on progress against the top 10 recommendations.

## AC/30/20 Network security

The Director of Information and Learning Technologies attended to present a report on the College's current position in respect of network security in the context of the current risks around cyber security. The report outlined work done to network security in the adaptation to greater remote working during the pandemic. This has included password encryption and awareness training. Cyber essentials accreditation was achieved and penetration testing was commissioned identifying two medium risks which have been addressed.

The College is now working towards cyber essentials plus and looking to achieve this in 2021-2022.

The pandemic has necessitated changes in security methods, in working practices and revised policies for external access to college systems. High standards of network security have been achieved by extended use of multi factor authentication and mobile device management.

The Committee discussed the links with the overall College IT strategy. Assurance was sought around future proofing security to support the move to blended learning. It was understood that this is being managed through policy design.

Anecdotal evidence from a governor who had attended the SAR for the area confirmed the positive focus on students and staff and clear identification of the need to support changes in the use of digital technology to support learning.

### **The report was noted**

*The Director of Information & Learning Technologies left the meeting.*

## AC/31/20 Financial Statements Management letter

Rakesh Shaunak attended from MHLLP, the Financial Statements Auditor.

Highlights of the financial statements were provided including financial performance, operating surplus and cash position. The College is in a positive position, particularly given the current climate and in the context of the sector. The impact of the pension adjustment was highlighted.

The scope of the audit review in terms of financial and controls review and link with the internal audit function were outlined.

It was confirmed that the management letter did not reveal any significant concerns.

Recommendations related to:

- Month end reconciliation management whilst remote working, encrypted signatures have now been implemented.

- Credit card use, the recommendation on independent sign off had been implemented and a longer-term digital solution is being sought.

Open items from the previous year included the timing of purchase orders post invoice. The risk of suppliers being discouraged from making deliveries was highlighted and training has now taken place. A matching exercise has been carried out to resolve the issue of refunds due to students and regulations updated to take account of the new procedures.

A clean audit report was confirmed.

The Committee discussed further the larger adjustments on the balance sheet including the pension deficit and how it is being managed. The actuary is employed by the Bedford Borough Pension Fund and provides a position at a snap shot in time. It was considered that the position reflects the impact of Covid and the presidential elections. A deficit will only crystallise if the College was to come out of the scheme. A secondary actuarial valuation had been sought. Further work is being carried out by the finance department to model contribution rates and pensioners supported.

Cash and the relationship with bank borrowing and interest rates was raised. The Committee was updated on the historic position on the loan negotiation on the merger with Tresham but the Finance team continue to monitor the position based on the college's needs.

The finance team was congratulated for the financial performance and for the management of the audit.

**The Committee confirmed their recommendation of the Financial Management letter to the Corporation.**

#### **AC/32/20      Regularity self-assessment**

The nature of the assessment, including the appropriate use of funds, controls and governance arrangements, was explained to the Committee. An additional annex relating to adjustments for Covid was highlighted.

The auditors confirmed that no concerns had been raised.

Although it was acknowledged that the document is a standard format the Committee asked that the alignment is reviewed to ensure the actions for each risk are identifiable.

The Executive Director of Finance will ensure the response in Annex A on page 7 is robust and articulates processes in place for urgent communication to the Committee Chair. The wording at the top of paragraph 8 will also be reviewed and SS agreed to send suggested wording to the Executive Director of Finance.

**The Committee recommended that, subject to the amendments, the Corporation approve the Regularity Self-Assessment and authorised the Chair of the Corporation to sign the same.**

**The report was noted.**

### **AC/33/20 Internal Audit Annual Report**

The Internal Auditor attended to present the report and confirmed the annual opinion in section 2

Based on the work carried out during the year reasonable assurance was provided that governance, risk management and internal controls were operating adequately with only one high priority recommendation.

The rationale for reasonable assurance was explained and noted to be the highest level of assurance. It was however noted that the review is limited to a small subset in relation to the College.

Section 3 summarises the activity and the conclusions reached.

The overall days in the plan were reduced due to the removal of the safeguarding audit following the review carried out during inspection.

The Committee discussed the report and in particular revisited the compliance element on the learner progress monitoring audit. It was agreed that the report should be shared with the QSA Committee to ensure any matters within their terms of reference are monitored.

**The report was recommended to the Corporation for noting.**

### **AC/34/20 Internal audit reports**

#### **ESFA mock funding audit**

The outcome of the audit was noted as good design, adequate application and reasonable assurance. The executive summary was referenced including 1 medium and 2 low recommendations.

It was confirmed the audit follows the approach taken by the ESFA, showing the number of compliant and non-compliant records. Apprenticeships were excluded from the scope to enable new processes to be embedded but they will be reviewed in 2020-2021.

The Committee discussed the evidential requirements in terms of signatures and how this is managed as well as the monitoring of attendance. The non-compliance evidenced in relation to the sample size was raised as a concern and attributed to AEB errors on enrolments. Management considered the audit report useful by management because it

highlighted areas to prioritise. Attendance and register management are being reviewed including the need to evidence different curriculum models and in light of Covid.

It was noted that ESFA audit policy is zero tolerance and that the focus should be on funding errors rather than on qualitative errors. The report did not identify any funding errors which could result in a funding adjustment.

## OfS

The internal audit had focused on the Office for Students registration. The overall conclusions were that the processes are well designed and adequate on compliance but with substantial assurance overall. The report set out findings on a condition by condition basis and confirmed that appropriate controls are in place.

One low level recommendation around consumer protection law is being reviewed with further evidence being sought in 2020-2021. The Committee sought assurance on the progress to date and whether the planned dates for completion of actions can be more specific. It was confirmed that the OfS registration fee is paid by direct debit. ***It was agreed that the report will be referred to the QSA Committee.***

**The reports were noted.**

## AC/35/20 Recommendations and follow up

The report was presented. The outstanding recommendation on credit cards will be picked up in the procure to pay review next summer but in the interim controls around credit card use have been tightened up.

The internal provided information on the implementation of recommendations from 2018-2019; 11 out of 18 implemented and 5 being superseded and picked up in later reports. The Committee was however keen that the dates should refer to the original date of the recommendation to ensure accurate tracking. It was however agreed that the 2018-2019 funding claims will not be re-opened. The Committee discussed recommendations around control weakness and how these can be tracked and closed so that errors do not reoccur. Some errors at the input stage cannot be eliminated but assurance was given on the controls to ensure the correction of errors before the ILR is finalized. It was confirmed that and the last 2 ESFA audits did not report any errors. Point of sale issues are being closely looked at and systems being changed to remove errors.

Credit card use and procurement is being reviewed with full stakeholder involvement but the current priority is around regularity work.

**The report was noted.**

**AC/36/20 Statement of Corporate Governance and Internal Control**

The Statement was presented. Further amendments to be processed prior to inclusion in the Financial Statements were noted around new governors and resignations. The Financial Statements Auditor also confirmed that co-opted audit committee members should be included in the list of members.

**Subject to the amendments the Committee confirmed that the Statement of Corporate Governance and Internal Control be recommended to the Corporation for approval.**

**AC/37/20 Annual report**

The report was presented and reviewed.

It was agreed that the Chair of Audit would review with individual members where there are wide differentials in the evaluation scores to ensure all members are comfortable that they are getting the right information.

**The Committee confirmed that the report is recommended to the Corporation for approval and submission to the ESFA**

**AC/36/20 Risk Review**

The report was presented by the Executive Director of Finance and key and emerging risks were highlighted, in particular those arising out of the pandemic.

The Committee was updated on discussions around risk and opportunities management and the potential for reflection on presentation in a single document. The Executive Director of Finance, the Executive Director of Sales and Marketing and the Technical Accountant are working to design the model and hope to be in a position to circulate to the Committee for comments in the new year.

The Committee Chair highlighted views previously discussed on the accessibility of the current register, particularly as an electronic document. The Committee supported the focus on a document that enhances the ability of College to manage opportunities and evaluate them, in addition to providing assurance on risk management.

The Committee recognised that development of a Risk Opportunity Plan (“ROM”) will enhance the ability of the Executive to communicate and evaluate opportunities and related risks with the Corporation. It is anticipated that an updated risk management plan will ensure the College can operate in effective manner, differentiating mitigations and controls. The Executive will also consider a report format that enables the internal management of risks.

The Committee supported the direction of travel to bring opportunities and risks together in one document. The Committee questioned why the poor NSS scores around HE students were not highlighted on the risk register. HE is recognised as a strategic priority and the issue is being taken forward at QSA Committee but ***the current position on HE provision will be articulated on the register.*** The current position on apprenticeships and the impact of Covid will also be considered for inclusion.

It is expected that a revised document will be presented at the Spring meeting.

**The report was noted.**

#### **AC/37/20      The National Audit Office report on Financial Sustainability**

The Committee noted the report provided and the Executive Director explained the context for the College. The Resources Committee had received a presentation.

#### **AC/38/20      Minutes**

The minutes of the meeting on 22 June 2020 were approved as an accurate record of the meeting. The Committee Chair and Director of Governance will review the action log and remove any items now completed.

The risks to the College on each item and level of assurance received in respect of the management responses were discussed and the Chair will provide a summary report to the Corporation meeting.